



## INSURANCE DEPARTMENT ETHICS STATEMENT

1. Purpose. The purpose of this statement is to ensure that all Insurance Department employees are aware of the Code of Ethics for State Employees, ("Code of Ethics") Conn. Gen. Stat. §1-79, et seq.; to ensure that official actions of department employees are independent and free from influence; to prevent department employees from using their position or influence for personal financial benefit; and to encourage public trust in the integrity of the Insurance Department. The Insurance Department, and all other state agencies and departments, are required by P.A. 94-126 to develop and implement a department ethics statement.

2. Who must comply. All Insurance Department employees, and all state officials and employees; except judges of any court, members of an advisory board and senators or representatives in Congress, but including sheriffs and deputy sheriffs; must comply with the Code of Ethics. In addition, there are certain rules for former state employees.

3. Outside employment. Department employees may not accept outside employment which will impair independence of judgment as to the employee's official duties or which would require or induce the employee to disclose confidential information gained in state service. Generally, outside employment is barred if the private employer can benefit from the employee's official actions. For example, if the employee has regulatory authority or contractual authority over the private employer, such outside employment would be barred. A state employee is not prohibited, however, from using his or her expertise for private gain, as long as no provision of the Ethics Code is violated in the process.

4. Use of Public Position or Confidential Information. A public position or confidential information gained in state service may not be used for the benefit of the employee, his or her family (spouse, child, child's spouse, parent, brother or sister), or an "associated business" (defined to include any entity through which business for profit or not for profit is conducted in which the state employee, or an immediate family member, is a director, officer or owner). (There is an exception to the definition of associated business for unpaid service as an officer, director, limited or general partner, beneficiary of a trust or holder of 5% or more of the total outstanding stock of a non-profit entity).

5. Representation before state agencies. No employee may represent another for compensation or accept or be a member or employee of a partnership, association, professional corporation or sole proprietorship which agrees to accept any employment, fee or other thing of value for appearing, agreeing to appear, or taking any action on behalf of another person before any of the following agencies, boards and commissions: Banking Department, Claims Commissioner, Office of Health Care Access, Insurance Department, office within the Consumer Protection Department that carries out duties of the former Department of Liquor Control, Department of Motor Vehicles, State Insurance Purchasing Board, Department of Environmental Protection, Department of Public Utility Control, Connecticut Siting Council, Department of Revenue Services Division of Special Revenue, Department of Revenue Services Gaming Policy

Board or Connecticut Real Estate Commission. Members of boards, commissions and quasi-public agencies who receive no compensation other than per-diem, expenses or both, and teaching or research professional employees of public institutions of higher education are excepted from this prohibition, provided that their actions are otherwise in compliance with the Code of Ethics.

6. Solicitation or acceptance of anything of value. No employee may solicit or accept anything of value based on an understanding that one's official action will be influenced thereby. No person may offer or give anything of value in order to influence one's official actions.

7. Contracts with state. No employee may enter into a contract with the state valued at \$100 or more unless the contract has been awarded through an open and public process. This ban extends to immediate family and associated businesses of the state employee/public official. Contracts of employment as a state employee and contracts made by court appointment are exempt from the provision. Also exempt are contracts entered into by executive branch or quasi-public agency officials who receive no compensation other than per-diem, expenses or both, unless the official has control over the subject matter of the contract. Additionally, no executive head of an agency, no executive head of a quasi-public agency, and no member of such individual immediate family or an associated business may enter into a contract with that agency or quasi-public agency.

8. Gifts from lobbyists. No employee or member of the employee's immediate family may accept any gifts from one known to be a registered lobbyist or a lobbyist's representative. (The definition of gift does not include food and drink totaling less than \$50 per person in a calendar year, if consumed on occasions at which the lobbyist, or a representative of the lobbyist, furnishing the food or drink is in attendance. Also excluded from the definition are presents given to individuals incident to a "major life event", ceremonial awards costing less than \$100, benefits costing less than \$10 per person per occasion up to \$50 per calendar year, and gifts to the state).

9. Gifts from businesses regulated by department or gifts from individuals or entities doing business with or attempting to do business with the agency. No employee may accept any gift or gifts from any person doing business with, seeking to do business with, directly regulated by or having a financial interest that may be affected by the Insurance Department. (The same exceptions to the lobbyist gift provision also apply to this gift provision).

10. Fee or honorarium. No employee may accept any fee or honorarium given in return for a speech or appearance made or article written in the employee's official capacity. Acceptance of the individual's necessary expenses is, however, permissible (See section 17).

11. Interference with or solicitation of lobbying contracts. No employee may interfere with or solicit lobbying contracts for any person.

12. Substantial conflict of interest. If a public official or state employee can expect that their financial interest or the financial interest of their spouse, dependent child or associated

business will be directly affected by their official action, distinct from others in the same occupation or group, they have a substantial conflict of interest under Conn. Gen. Stat. §1-85, may not act under any circumstances, and must proceed under the rules of Conn. Gen. Stat. §1-86. An example would be taking official action to award a contract to a private business that the employee or official owns. This is also a use of position under §1-84(c).

13. Potential conflict of interest. If a public official or state employee's financial interest or the financial interest of their family member or associated business (excluding insignificant amounts) will be affected by their official action distinct from a substantial segment of the general public, they have a potential conflict of interest under Conn. Gen. Stat. §1-86(a) and must proceed under the rules of Conn. Gen. Stat. §1-86. Specifically, since Insurance Department employees are members of a regulatory agency, the employee must prepare a written statement, under penalty of false statement, which describes the potential conflict. The individual must deliver the statement to his or her superior, who will assign the matter to another individual not subordinate to the employee with the conflict.

14. Statutory requirement for financial examination examiners and market conduct examiners. In addition to the requirements of the Ethics Code, Conn. Gen. Stat. §38a-14(c) (1) related to financial examiners provides that the examiners shall be "competent persons, not officers of or connected with or interested in any insurance company, other than as a policyholder". In a slightly broader requirement, Conn. Gen. Stat. §38a-15(b) provides that market conduct examiners shall be "competent persons, not officers or connected with or interested in any insurance company, health care center or fraternal benefit society, other than as a policyholder".

15. Financial disclosure. Each division director, and others designated by the Commissioner, must file annually, by May 1, with the State Ethics Commission statements of financial interests held during the previous year.

16. Disclosure of necessary expense payments. An employee may receive reimbursement for necessary expenses for an article, appearance or a speech or for participation in an event, in the employee's official capacity. Necessary expenses are limited to necessary travel expenses, lodging for the nights before, of and after the appearance, speech or event, meals and any related conference or seminar registration fees. If lodging and/or out-of-state travel is included, the employee must disclose that payment or reimbursement to the Ethics Commission within 30 days. If a report is not filed, either intentionally or due to gross negligence, the employee must return the payment or reimbursement. Such disclosure is not required if the reimbursement is provided by the federal government or another state government. Detailed requirements for disclosures of necessary expense payments are found in sections 1-81-21 through 1-81-25 of the Regulations of Connecticut State Agencies. The Form, Eth-NE, may be found on the Ethics Commission web site at [www.ethics.state.ct.us](http://www.ethics.state.ct.us).

17. Gifts to the State. Gifts to the State that incidentally benefit a public official or employee in the amount of \$50 or more are permitted if the gift of goods and services provided will facilitate state action or functions. For example, a business may be hosting a conference on

software used by the Department or a regulated entity may be offering a course relevant to an employee's area of official expertise. State employees responsible for the purchase of such software for the state or involved in the subject matter of the course would like to attend but the agency does not have the funds to pay for the expenses involved. The business may pay for any reasonable expenses involved since it will enable such employees to better perform their jobs. Whenever such gifts to the State incidentally benefit a public official or state employee, the Insurance Commissioner or Deputy Commissioner should certify, in writing, to the Ethics Commission, prior to the acceptance of the benefit, that the gift, in fact, facilitates state action or functions and is sanctioned by the recipient agency, notwithstanding any potential conflict of interest. Such certification shall be required only when: (1) the donor is an individual or entity regulated by, doing business with, or seeking to do business with the recipient agency; and (2) the total benefit to the public official or state employee is \$50 or more. Certification should not be granted pro forma. If the commissioner or deputy commissioner determine that the employee's working relationship with a prospective sponsor is a close one, and that the potential benefit to the state resulting from acceptance of the proposed gift might be outweighed by the harm to the state in the form of a sense of obligation or quid pro quo on the part of the employee to the sponsor, certification should be denied by the Insurance Department. The requirements related to accepting a gift from the state are found in section 1-81-27 of the Regulations of Connecticut State Agencies.

18. Difference between necessary expense payments and gifts to the state. There are significant differences in compliance requirements for accepting necessary expense payments, discussed in paragraph 16, and accepting gifts to the state, discussed in paragraph 17. The rules regarding fees, honorariums, and necessary expense payments apply when the individual actually participates in the event as a speaker, panelist or faculty member. The rules regarding gifts to the state apply when the individual merely attends the event.

19. Enforcement procedures and penalties. Enforcement of the Ethics Code is initiated by a complaint, filed by the Ethics Commission or a member of the public. (In most instances, a Commission complaint is preceded by a confidential staff evaluation). A two-step process follows: (1) A confidential investigation and probable cause hearing; and (2) if probable cause is found, a public hearing to determine if the Ethics Code has been violated. (At any stage of the process, the commission and respondent may negotiate a settlement). After a finding or admission of a violation, the Commission may order the respondent to comply with the Ethics Code in the future, file any required report or statement, and pay a civil penalty of up to \$10,000 per violation. Alternatively, for failure to file a report, statement or other information required by the Ethics Code the Ethics Commission can, after a single hearing, impose a civil penalty of \$10 per day, the aggregate penalty for any one violation not to exceed \$10,000. If the Ethics Commission concludes that a violation was intentional, it may refer the matter to the Chief State's Attorney for action. An intentional violation of the Ethics Code is a class A misdemeanor except that, if the person derives a financial benefit of \$1,000 or more the person shall be guilty of a class D felony. For a second or subsequent intentional violation, a person shall be guilty of a class D felony. The Attorney General may sue for up to two times the actual damages caused by the violation.

20. Disclosure or use of confidential information by former state employees. No former employee may disclose or use confidential information, gained in state service, for the financial benefit of any person. This is a lifetime prohibition. "Confidential information" is any information not generally available to the public. The information may be in any form (written, photographic, recorded, computerized, etc.) including orally transmitted information, for example, conversations and negotiations.

21. Participation by former employees in matters in which they personally took part. No former employee may represent anyone (other than the state) concerning any particular matter (1) in which the employee participated personally and substantially while in state service and (2) in which the state has a substantial interest. This is a lifetime prohibition. It applies regardless of where the representation occurs and whether or not compensation is involved. The term "particular matter" must always be decided on a case by case basis. Although the concept is essentially a narrow one, a specific "particular matter" (for example, an administrative enforcement proceeding) cannot be further divided into separate phases (prehearing investigation, hearing, decision, etc.).

22. Representation of clients before Insurance Department by former employees. No former employee shall, for one year after leaving state service, represent anyone (other than the state) for compensation before the Insurance Department, concerning any matter in which the state has a substantial interest. The term "represent" includes any action which reveals the identity of the individual, for example, a personal appearance, phone call, signature on a document, identification on a firm's letterhead, etc.

23. Consulting by former employees with the Insurance Department. A Commission policy has been established to allow former state employees to enter into consulting and other contracts with their former agencies within a one-year period after leaving state service. Specifically, such conduct is permitted, as long as the re-employment is at no greater pay level than the individual was receiving at the time of separation from state service plus necessary expenses.

24. Employment of former employees by parties who have a state contract negotiated by the former employee. No former employee who participated substantially in, or supervised, the negotiation or award of a state contract of \$50,000 or more may accept employment with a party to the contract (other than the state) for one year after resignation from state service if the resignation occurs within one year after the contract was signed. Substantial participation is not limited to the chief negotiator or the individual who signs the contract, but applies whenever the individual exercises authority at any level of the process. "Employment" includes work as an independent contractor or consultant.

25. Questions. Anyone subject to the Ethics Code, including any Insurance Department employee, may request the Ethics Commission's advice (advisory opinion) as to how the code applies to a situation. The Ethics Commission staff also provides informal advisory letters when the question posed is unambiguous or has been previously addressed by a commission opinion.

If you have any questions about Connecticut's ethics laws, you should contact the commission staff at

State Ethics Commission  
20 Trinity St.  
Hartford CT 06106-1660.  
Telephone (860)-566-4472  
Fax (860) 566-3806.

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